

AMENDED IN SENATE APRIL 28, 2015

**SENATE BILL**

**No. 586**

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**Introduced by Senator Hernandez**

*(Coauthors: Assembly Members Alejo, Bonta and Chávez)*

February 26, 2015

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An act to amend Section 14094.3 of, and to add Section 14094.24 to, the Welfare and Institutions Code, relating to children's services.

LEGISLATIVE COUNSEL'S DIGEST

SB 586, as amended, Hernandez. Children's services.

The California Children's Services Program (CCS program) is a statewide program providing medically necessary services required by physically handicapped children whose parents are unable to pay for those services. The State Department of Health Care Services administers the CCS program. Counties, based on population size, are also charged with administering the program, either independently or jointly with the department. The services covered by the CCS program include expert diagnosis, medical treatment, surgical treatment, hospital care, physical therapy, occupational therapy, special treatment, materials, and the supply of appliances and their upkeep, maintenance, and transportation. Funding for the program comes from county, state, and federal sources. In order to be eligible for the CCS program, an applicant must be under 21 years of age, have or be suspected of having a condition covered by the program, and meet certain financial eligibility standards established by the department.

Existing law prohibits services covered by the California Children's Services program (CCS) from being incorporated into a Medi-Cal managed care contract entered into after August 1, 1994, until January

1, 2016, except with respect to contracts entered into for county organized health systems in specified counties.

This bill would exempt KIDS contracts, described below, from that prohibition, and would delete the January 1, 2016 time limit.

This bill would require the department, no later than January 1, 2018, to contract with one or more Kids Integrated Delivery System (KIDS) ~~plans~~ *networks*, as defined, for the purpose of coordinating and managing the provision of Medi-Cal and CCS program services to eligible children, to ensure access to cost-effective quality care. The bill would define “eligible child” and other relevant terms in this regard. The bill would establish criteria the department would be required to consider in selecting a KIDS ~~plan~~ *network* and eligibility standards, as well as the qualifications and exclusions required for KIDS ~~plan~~ *network* contracts. The KIDS ~~plan~~ *network* would be required to coordinate, integrate, and provide or arrange for the full range of Medi-Cal and CCS services.

This bill would require the department to seek all necessary federal approvals to ensure federal financial participation for expenditures under ~~the bill~~ *these provisions*, and would prohibit implementation of ~~the bill~~ *these provisions* until federal financial participation is obtained. The bill would additionally authorize the department to seek federal approval to require all eligible children to enroll in an available KIDS ~~plan~~ *network* for the length of their CCS eligibility plus 6 months, and if the child remains eligible for Medi-Cal, for up to 12 months following termination of CCS eligibility.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The California Children’s Services (CCS) program is the
- 4 nation’s oldest Title V Maternal and Child Health Services Block
- 5 Grant program.
- 6 (b) The CCS program has provided critical access to specialized
- 7 medical care for California’s most complex and fragile pediatric
- 8 patients since 1927.

1 (c) The strong standards and credentialing created under the  
2 CCS program ensure that eligible children obtain care from  
3 experienced providers with appropriate pediatric-specific expertise.

4 (d) CCS providers form a regional backbone for all specialty  
5 pediatric care in California, benefiting children of every income  
6 level and insurance status.

7 (e) Over the past 20 years, coordinated and integrated health  
8 care delivery models have been shown to improve delivery of  
9 health care, reduce costs, and improve outcomes.

10 (f) As California expanded the reach of integrated delivery  
11 systems in Medi-Cal, CCS services were often excluded from  
12 managed care arrangements in recognition of the specialty nature  
13 of CCS services and the complicated health status of enrolled  
14 children.

15 (g) Accordingly, it is the intent of the Legislature to modernize  
16 the CCS program, through development of specialized integrated  
17 delivery systems focused on the unique needs of CCS-eligible  
18 children, to accomplish the following:

19 (1) Improve coordination and integration of services to meet  
20 the needs of the whole child, not just address the CCS-eligible  
21 condition.

22 (2) Retain CCS program standards to maintain access to  
23 high-quality specialty care for eligible children.

24 (3) Support active participation by parents and families, who  
25 are frequently the primary caregivers for CCS-eligible children.

26 (4) ~~Established~~ *Establish* specialized programs to manage and  
27 coordinate the care of CCS-enrolled children.

28 (5) *Ensure that children with CCS-eligible conditions receive*  
29 *care in the most appropriate, least restrictive setting.*

30 (6) *Maintain existing patient-provider relationships, whenever*  
31 *possible.*

32 (h) It is further the intent of the Legislature to protect the unique  
33 access to pediatric specialty services provided by CCS while  
34 promoting modern organized delivery systems to meet the medical  
35 care needs of eligible children.

36 SEC. 2. Section 14094.24 is added to the Welfare and  
37 Institutions Code, to read:

38 14094.24. (a) The following definitions shall apply for  
39 purposes of this section:

1 (1) ~~“Children’s hospital” means a hospital identified in Sections~~  
2 ~~10727 and 10728.~~

3 (1) *“CCS tertiary hospital” means a hospital that is designated*  
4 *as a tertiary hospital pursuant to the Standards for Tertiary*  
5 *Hospitals set forth in the California Children’s Services Manual*  
6 *of Procedures.*

7 (2) *“Kids Integrated Delivery System (KIDS)” means an entity*  
8 *selected a network approved by the department to coordinate and*  
9 *manage the provision of Medi-Cal and CCS services for eligible*  
10 *children, on a county or regional basis, consistent with managed*  
11 *care principles, techniques, and practices, to ensure access to*  
12 *cost-effective, quality care for enrolled children. A KIDS plan may*  
13 *include either of the following organizational models:*

14 (A) ~~An entity coordinated through a children’s hospital with a~~  
15 ~~shared governance structure comprised of providers who are held~~  
16 ~~jointly accountable for achieving measured quality improvements~~  
17 ~~and reductions in the rate of spending growth for Medi-Cal services~~  
18 ~~for enrolled children.~~

19 (B) ~~An entity coordinated by a CCS-approved provider with a~~  
20 ~~shared governance structure comprised of providers, including~~  
21 ~~participation by at least one children’s hospital, who are held jointly~~  
22 ~~accountable for achieving measured quality improvements and~~  
23 ~~reductions in the rate of spending growth for Medi-Cal services~~  
24 ~~for enrolled children.~~

25 (3) *“Eligible child” means either of the following:*

26 (A) *A minor child under 21 years of age, who is eligible for*  
27 *both Medi-Cal and the California Children’s Services Program*  
28 *(Article 5 (commencing with Section 123800) of Chapter 3 of Part*  
29 *2 of Division 106 of the Health and Safety Code), excluding those*  
30 *children eligible under the program for neonatal intensive care*  
31 *services.*

32 (B) *An individual up to 26 years of age, if the individual was*  
33 *previously treated for a CCS-eligible condition in the 12 months*  
34 *prior to his or her 21st birthday, is eligible for full-scope Medi-Cal*  
35 *services, and voluntarily chooses to remain in a KIDS plan network*  
36 *that accepts individuals up to age 26 pursuant to its contract with*  
37 *the department.*

38 (4) *“Enrollee” means an eligible child enrolled in a KIDS plan*  
39 *network and who receives Medi-Cal and CCS services through*  
40 *the KIDS plan network.*

(b) Consistent with Sections 14093.05 and 14093.06 and the requirements of this chapter, no later than January 1, 2018, in counties or regions where there is no demonstration project pursuant to Section 14094.3, the department shall select and enter into contracts with one or more KIDS ~~plans~~, *networks*, to provide comprehensive health care services to eligible children. In ~~the selection process, the department shall give special consideration to entities that meet all of the following criteria:~~ *order to contract with the department pursuant to this section, a KIDS network shall meet all of the following criteria:*

(1) ~~Demonstrates~~ *Demonstrate* experience in effectively serving eligible children and providing services in compliance with CCS program standards and requirements.

(2) ~~Includes~~ *Include* in the KIDS ~~plan~~ *network* a sufficient number of CCS-paneled providers, including board-certified pediatricians, CCS-approved special care centers, and other providers who have been providing services to eligible children in the proposed KIDS ~~plan~~ *network* service area to ensure continuity of care, timely access to quality services, and the least disruption to existing patient-provider relationships.

(3) ~~Develops~~ *Develop* the KIDS ~~plan~~ *network* through a local collaborative stakeholder process that includes, but is not limited to, families of eligible children, local consumer advocates, CCS providers, and staff of the CCS program in the county or counties in the proposed KIDS ~~plan~~ *network* service area.

(4) ~~Incorporates~~ *Incorporate* specific strategies to actively engage families as partners in decisions affecting the health care and well-being of children enrolled in the KIDS ~~plan~~ *network*.

(5) *Be anchored by a hospital that is designated as a CCS tertiary hospital, or by a CCS provider in partnership with a CCS tertiary hospital.*

(c) A KIDS ~~plan~~ *network* shall do all of the following:

(1) Contract with the department to coordinate, integrate, and provide or arrange for the full range of Medi-Cal and CCS services to eligible children enrolled in the KIDS ~~plan~~ *network* pursuant to this subdivision.

(A) A KIDS ~~plan~~ *network* contract shall exclude, at a minimum, specialty mental health services provided by county mental health plans and neonatal intensive care services. A KIDS contract may exclude other Medi-Cal services, as determined by the department,

1 including, but not limited to, long-term care, transplantation, and  
2 dental services.

3 (B) Benefits of the medical therapy program may be provided  
4 or coordinated by a KIDS-~~plan~~, *network*, in collaboration and  
5 consultation with the designated county CCS agency or agencies  
6 in the KIDS-~~plan~~ *network* service area.

7 (2) Operate under a contract with the department that satisfies  
8 the requirements of this chapter, including Sections 14093.05 and  
9 14093.06.

10 (3) Provide services to enrollees through a team-based,  
11 patient-centered health home model, ensure that enrolled children  
12 receive services in the most appropriate and least restrictive setting,  
13 and adopt effective strategies to manage and coordinate care and  
14 services for enrolled children.

15 (4) Report and comply with quality measures, including, but  
16 not limited to, Medi-Cal Healthcare Effectiveness Data and  
17 Information Set (HEDIS) measures appropriate for enrolled  
18 children, the national Pediatric Quality Measurement System  
19 (PQMS) for children's hospitals, and other quality measures  
20 developed by the department in consultation with stakeholders.

21 (5) Participate in a nationally recognized pediatric patient safety  
22 organization.

23 ~~(6) Comply with readiness criteria, network adequacy standards,~~  
24 ~~and other appropriate standards applicable to Medi-Cal managed~~  
25 ~~care plans, as determined by the department in consultation with~~  
26 ~~stakeholders, and any terms of the federal approvals obtained by~~  
27 ~~the department.~~

28 (7)

29 (6) Establish and maintain a family advisory council composed  
30 of families of eligible children and convene the advisory council  
31 at least quarterly.

32 (d) (1) Contracts with KIDS-~~plans~~ *networks* may include  
33 opportunities to share in the risk of providing services to KIDS  
34 enrollees, pursuant to an agreement between the department and  
35 the KIDS-~~plan~~. *network*. Any shared savings that result from the  
36 implementation of these arrangements shall be reinvested in  
37 services provided to children enrolled in the KIDS-~~plan~~. *network*.

38 (2) The department shall not enter into risk-sharing arrangements  
39 with a KIDS-~~plan~~ *network* for specific covered services unless the

1 KIDS plan is responsible for the management and authorization  
2 of those services.

3 (3) Payments to a KIDS-~~plan~~ *network* that agrees to accept  
4 risk-sharing shall be actuarially sound.

5 (e) Eligibility for enrollment in a KIDS-~~plan~~ *network* shall be  
6 determined in accordance with all of the following:

7 (1) Children shall be deemed eligible for enrollment in a KIDS  
8 ~~plan~~ *network* based on eligibility for the CCS program pursuant  
9 to Section 14005.26, except as provided by paragraph (2).

10 (2) A child receiving neonatal intensive care unit (NICU)  
11 services shall not be eligible for enrollment until the child is  
12 discharged from the NICU and meets the other requirements of  
13 this subdivision.

14 (3) (A) To the extent that the department obtains federal  
15 approval to require eligible children to enroll in an available KIDS  
16 ~~plan~~ *network* in order to receive Medi-Cal and CCS services,  
17 eligible children shall be enrolled on a mandatory basis pursuant  
18 to this section and the provisions of this chapter applicable to  
19 Medi-Cal managed care plan enrollments.

20 (B) Enrollment in a KIDS-~~plan~~ *network* shall be, at a minimum,  
21 for the period of a child's CCS eligibility plus an additional six  
22 months, provided that the child remains eligible for Medi-Cal.  
23 KIDS-~~plan~~ *network* enrollees who continue to remain eligible for  
24 Medi-Cal may remain in the KIDS-~~plan~~ *network* for up to 12  
25 months following the termination of CCS eligibility if the KIDS  
26 program and the parent, guardian or person responsible for care  
27 of the child agree that it is in the best interests of the child.

28 (C) Pursuant to this section, and subject to necessary federal  
29 approvals, if a KIDS-~~plan~~ *network* becomes newly available in a  
30 service area, ~~or if a child becomes newly eligible for a KIDS plan,~~  
31 ~~the child shall be enrolled in the available KIDS plan. The~~ *the*  
32 department shall determine, in consultation with counties, KIDS  
33 ~~plans, networks,~~ local KIDS family advisory councils, and existing  
34 Medi-Cal managed care plans in the service-~~area and area,~~ the  
35 timing and process for enrollment in KIDS-~~plans~~ *networks* to ensure  
36 a smooth transition for eligible children.

37 (D) If there is more than one KIDS-~~plan~~ *network* in the county  
38 or region in which the child lives, the parent, guardian, or person  
39 responsible for the care of the eligible child may select the KIDS  
40 ~~plan~~ *network* in which the child will be enrolled. If the family does

1 not select a KIDS plan, the child shall be assigned to a KIDS-plan  
2 network in a manner that ensures the least disruption in existing  
3 patient-provider relationships.

4 (E) Upon enrollment of an eligible child in a KIDS-plan,  
5 network, the parent, guardian, or person responsible for the care  
6 of the child shall be informed that the child may choose to continue  
7 an established patient-provider relationship if his or her treating  
8 provider is a primary care provider or clinic contracting with the  
9 KIDS, has the available capacity, and agrees to continue to treat  
10 that eligible child. KIDS-plans networks shall comply with the  
11 continuity of care requirements in Section 1373.96 of the Health  
12 and Safety Code.

13 (4) Within 30 days of notice that a child is no longer eligible  
14 for a KIDS-plan network pursuant to this section, a child who  
15 continues to be eligible for Medi-Cal shall be enrolled in the  
16 Medi-Cal delivery system in the county in which he or she resides.  
17 The department shall ensure that families receive information about  
18 the Medi-Cal delivery systems available in their county and the  
19 process for enrolling in and selecting among the available options.  
20 Children disenrolling from a KIDS-plan network because they are  
21 no longer eligible shall be enrolled in county Medi-Cal delivery  
22 systems as follows:

23 (A) If there is a Medi-Cal managed care plan in the county of  
24 the child's residence, the child shall be enrolled in the managed  
25 care plan. In counties where there is more than one Medi-Cal  
26 managed care plan, if the family does not choose a plan for the  
27 child within 30 days of notice of disenrollment from the KIDS,  
28 the child shall be enrolled into the Medi-Cal managed care health  
29 plan that contains his or her primary care provider. If the primary  
30 care provider participates in more than one managed care health  
31 plan in the county, the child shall be assigned to one of the health  
32 plans containing his or her primary care provider in accordance  
33 with the assignment process applicable in the county.

34 (B) In a county that is not a managed care county, children no  
35 longer eligible for the KIDS-plan network shall be provided  
36 services under the Medi-Cal fee-for-service delivery system.

37 (5) The department shall instruct KIDS-plans, networks,  
38 counties, and managed care plans, by means of all-county and  
39 all-plan letters or similar instruction, as to the processes to be used  
40 to enroll and disenroll children in KIDS-plans networks and to



1 reenroll eligible children in local Medi-Cal coverage options, to  
2 ensure each child experiences a smooth transition among coverage  
3 types with no gap in coverage or care.

4 (6) A child who is enrolled in a KIDS-~~plan~~ *network* shall retain  
5 all rights to CCS program appeals and fair hearings of denials of  
6 medical eligibility or of service-~~authorizations~~. *authorizations, as*  
7 *well as all due process and fair hearing rights under the Medi-Cal*  
8 *program.*

9 (f) The department shall seek all necessary federal approvals to  
10 ensure federal financial participation in expenditures under this  
11 section. This section shall not be implemented until necessary  
12 federal approvals have been obtained.

13 (g) The department may seek federal approval to require all  
14 eligible children to enroll in an available KIDS-~~plan~~ *network* during  
15 the length of their eligibility for CCS plus an additional six months,  
16 and, if the child remains eligible for Medi-Cal, to voluntarily  
17 remain in the KIDS for up to 12 months following termination of  
18 CCS eligibility.

19 SEC. 3. Section 14094.3 of the Welfare and Institutions Code  
20 is amended to read:

21 14094.3. (a) Notwithstanding this article or Section 14093.05  
22 or 14094.1, CCS covered services shall not be incorporated into  
23 any Medi-Cal managed care contract entered into after August 1,  
24 1994, pursuant to Article 2.7 (commencing with Section 14087.3),  
25 Article 2.8 (commencing with Section 14087.5), Article 2.9  
26 (commencing with Section 14088), Article 2.91 (commencing  
27 with Section 14089), Article 2.95 (commencing with Section  
28 14092); or either Article 2 (commencing with Section 14200), or  
29 Article 7 (commencing with Section 14490) of Chapter 8, except  
30 for either or both of the following:

31 (1) Contracts entered into for county organized health systems  
32 or Regional Health Authority in the Counties of San Mateo, Santa  
33 Barbara, Solano, Yolo, Marin, and Napa.

34 (2) Contracts entered into pursuant to Section 14094.24.

35 (b) Notwithstanding any other provision of this chapter,  
36 providers serving children under the CCS program who are enrolled  
37 with a Medi-Cal managed care contractor but who are not enrolled  
38 in a pilot project pursuant to subdivision (c) shall continue to  
39 submit billing for CCS covered services on a fee-for-service basis

1 until CCS covered services are incorporated into the Medi-Cal  
2 managed care contracts described in subdivision (a).

3 (c) (1) The department may authorize a pilot project in Solano  
4 County in which reimbursement for conditions eligible under the  
5 CCS program may be reimbursed on a capitated basis pursuant to  
6 Section 14093.05, and provided all CCS program's guidelines,  
7 standards, and regulations are adhered to, and CCS program's case  
8 management is utilized.

9 (2) During the time period described in subdivision (a), the  
10 department may approve, implement, and evaluate limited pilot  
11 projects under the CCS program to test alternative managed care  
12 models tailored to the special health care needs of children under  
13 the CCS program. The pilot projects may include, but need not be  
14 limited to, coverage of different geographic areas, focusing on  
15 certain subpopulations, and the employment of different payment  
16 and incentive models. Pilot project proposals from CCS  
17 program-approved providers shall be given preference. All pilot  
18 projects shall utilize CCS program-approved standards and  
19 providers pursuant to Section 14094.1.

20 (d) For purposes of this section, CCS covered services include  
21 all program benefits administered by the program specified in  
22 Section 123840 of the Health and Safety Code regardless of the  
23 funding source.

24 (e) Nothing in this section shall be construed to exclude or  
25 restrict CCS eligible children from enrollment with a managed  
26 care contractor, or from receiving from the managed care contractor  
27 with which they are enrolled primary and other health care  
28 unrelated to the treatment of the CCS eligible condition.